

Solar Access to Public Capital (SAPC) Working Group

# **Securitization: Lessons Learned from Other Industries**

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March 6, 2013

# Lessons Learned



## **Solid Business Plan and Good Product—required**

- Structuring and marketing cannot substitute for lack of substance

## **Do the Math—essential**

- Be realistic
- Be conservative
- Instill confidence in the numbers

## **Make it understandable—helpful**

- To investors, to rating agencies, to regulators
- Simple is good

## **Conflicts of interest – avoid**

- Issuers, servicers, trustees

## **Alignment of interests - important**

- Originator incentives

## **Credit Transparency - required**

- Reliance on reps and warranties
- Reporting

## **Independent third party oversight - needed**

- Credit risk management
- Transaction oversight

## **Ability to take action - needed**

- Investor communication/ voting

## **Certainty - essential**

- Servicing – clarity on rules
- Government interference

# How Was RMBS Introduced – Gradually



## **Introduction of Mortgages to the Markets – late 1960s/ early 1970s**

- Government guaranteed pass-throughs
- Mortgage payment peculiarities
- Prepayment risk
- Rates investors

## **Main Street to Wall Street – 1970s and 1980s**

- Freddie GMCs and CMOs
- Fannie IO/ POs
- Structural considerations
- Rates investors



## How Was RMBS Introduced – Gradually (*cont'd*) ORRICK

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### **Private Sector – 1987 to present**

- Bank, conduit and other issuers
- Bank and monoline guarantors
- Capital markets “guarantee” - senior/ sub
- Originator retention of credit risk
  - Pru Home Mortgage
  - Redwood Trust
  - Shellpoint
  - Risk Retention Rules
- Credit investors

### **Next**

- Government guaranteed pass-throughs
- Private capital assumption of credit risk
- Rates investors
- Credit investors

## How will "SEBS"\* Be Introduced

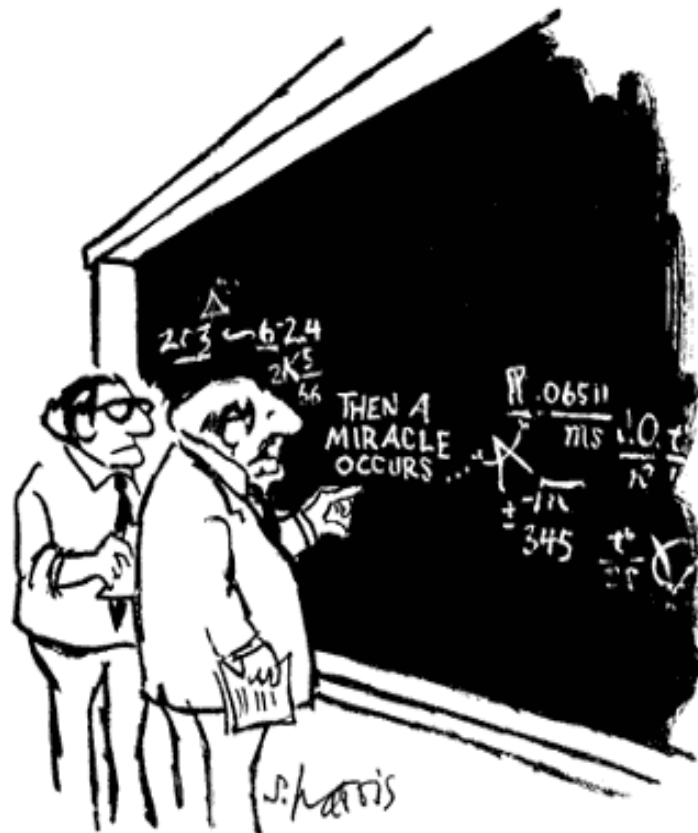


**TBD!**

*\*Solar Energy Backed Securities*

# The Art and Science of Securitization...

## Avoiding the Mistakes of the Past!



"I think you should be more explicit here in step two."

